

**Henry County Emergency
Communications District
Audited Financial Statements
For The Year Ended
June 30, 2013**



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FINANCIAL SECTION

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS
June 30, 2013

BOARD MEMBERS

John Etheridge – Chairman

Mike Shankle – Vice Chairman

Bettye Carter – Treasurer / Secretary

Charles Elizondo – Member

Michael Williams – Member

Pam French – Member

Ray Norwood – Member

Ron Watkins – Member

Monte Belew - Member

MANAGEMENT OFFICIALS

Mark Archer – Director / Secretary

Members: American Institute of Certified Public Accountants | Tennessee Society of Certified Public Accountants
Governmental Audit Quality Center | Private Companies Practice Section
www.crscca.com

INDEPENDENT AUDITORS' REPORT

November 20, 2013

To the Board of Directors
Henry County Emergency Communications District
Paris, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Henry County Emergency Communications District), a component unit of Henry County, Tennessee, as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accrual basis of accounting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Henry County Emergency Communications District as of June 30, 2013, and the results of its operation and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express and opinion or provide any assurance on the information because the limited procedures does not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of detailed operating expenses and budgetary comparison listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Henry County Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the Henry County Emergency Communication District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts

and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry County Emergency Communication District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cowart Reese Sargent,
Certified Public Accountants, P.C.
Martin, TN

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Henry County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term information about its activities. The statement of net assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and changes in them is presented on the following page.

SUMMARIZED FINANCIAL INFORMATION

	NET ASSETS		Dollar Change	Percentage Change
	2013	2012		
Current assets	\$ 852,143	\$ 1,288,858	\$ (436,715)	-33.9%
Capital assets	1,179,682	351,061	828,621	236.0%
Total Assets	2,031,825	1,639,919	391,906	23.9%
Current liabilities	17,208	17,211	(3)	0.0%
Long-term debt	-	-	-	-
Total liabilities	17,208	17,211	(3)	0.0%
Net assets	\$ 2,014,617	\$ 1,622,708	\$ 391,909	24.2%
Summary of net assets				
Invested in capital assets, net of debt	834,935	351,061	483,874	137.8%
Unrestricted net assets	1,179,682	1,271,647	(91,965)	-7.2%
	\$ 2,014,617	\$ 1,622,708	\$ 391,909	24.2%
CHANGES IN NET ASSETS				
Revenues	\$ 487,477	\$ 523,479	\$ (36,002)	-6.9%
Operating expenses	281,131	275,285	5,846	2.1%
Operating income (loss)	206,346	248,194	(41,848)	-16.9%
Nonoperating expenses net of revenues	185,563	(2,652)	188,215	-7097.1%
Changes in net assets	391,909	245,542	146,367	
Net assets				
Beginning	1,622,708	1,377,166	245,542	
Ending	\$ 2,014,617	\$ 1,622,708	\$ 391,909	

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information on the previous page, the District's current assets have decreased \$436,715 during the year ended June 30, 2013 and net capital assets increased \$828,621. The increase in net capital assets was due to the remodeling of the new district building during the year. All the new equipment was purchased from funds on hand and required no borrowing. Net assets increased by \$391,909. The emergency telephone service charge revenues, of the District, decreased by \$9,382. The state shared wireless revenues increased by an amount of \$10,386. The District also received \$21,732 in state operational funding. With a decrease of \$5,334 in other income, the overall result is an decrease in total revenues of \$36,002. In addition, the District received \$387 in interest income.

The total operating expenses for the District increased by 2.1%. The majority of the decrease in operating expenses is due to a increase in salaries and wages. The nonoperating revenues increased by \$188,215. This increase is a result of a loss on disposal of assets and the fact that there was state operational funding received in the current year, as compared with the \$0 received in the prior year..

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying those expenses. The budget is prepared on the cash basis of accounting. As conditions change during the year, the budget may be amended to prevent budget overruns.

The comparison between actual revenues and expenditures and budgeted revenues and expenditures are favorable. Income from residential and business phone lines are \$5,181 less than the amount budgeted and the state shared wireless charges are \$5,776 more than the amount budgeted. These revenue variances along with the state operational funding and other income variance, there is a total favorable revenue variance of \$40,578 over the budgeted amounts. The largest variance is the state wireless additional funding, which is \$34,724 actual revenues over budgeted revenues.

All of the line item expenditures of the District show favorable variances when comparing the budgeted amounts with the actual amounts, with the exception of customer coverage and office expenses. Each of these became under budgeted as a result of the accruals required for reporting purposes. The salaries and wages are under the budgeted amounts by \$780, while the employee benefits are under the budgeted amounts by \$271. Contracted services indicate a favorable variance of \$3,966. This is due to the architects fees of \$3,650 that were budgeted as expenses.. The supplies and materials have a favorable variance of \$55, while the other charges have a favorable variance of \$976. The overall effect of the favorable revenue and expenditure variances is a \$230,749 favorable variance, as compared with the budgeted amounts. These figures are based on a cash basis actual to budget comparison.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$1,278,875 with accumulated depreciation of \$99,193. Investments in capital assets are \$913,200 for the current year. Capital assets include communications equipment and, building construction..

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing Henry County Emergency Communications District is the decrease in revenue generated from landline telephones. Many individuals are using cellular phones and VOIP services instead of landline services. While the increase in cell phone and VOIP services generate revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees.

Due to the steady number of individuals who change their service providers during a given year, in addition to the continual emergence and departure of telephone service providers, it is extremely difficult to estimate revenues for budgeting purposes.

The increased availability of state grants and reimbursements is also a major economic factor for the District. The District's ability to qualify for the various types of grants and reimbursements enables the District to acquire and maintain the necessary equipment and services to continue to operate the District efficiently and effectively.

This financial report is designed to provide the readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Henry County Emergency Communications District
PO Box 1452
100 N. Caldwell St.
Paris, TN 38242
(731) 642-0911

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2013

Assets

Current Assets

Cash - checking	\$ 319,535
Investment - certificates of deposit	479,638
Accrued interest receivable	145
Accounts receivable	52,825
Total Current Assets	<u>852,143</u>

Noncurrent Assets

Capital assets	
Land	108,710
Buildings and improvements	52,812
Construction in progress	682,671
Furniture and fixtures	51,534
Office equipment	8,649
Communications equipment	374,499
	<u>1,278,875</u>
Less accumulated depreciation	(99,193)
Total Noncurrent Assets	<u>1,179,682</u>

Total Assets	<u><u>\$ 2,031,825</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	17,208
Total Current Liabilities	<u>17,208</u>

Total Liabilities	<u>17,208</u>
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Net Assets

Invested in capital assets	1,179,682
Unrestricted	834,935
Total Net Assets	<u>2,014,617</u>

Total Liabilities and Net Assets	<u><u>\$ 2,031,825</u></u>
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See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013**

Operating Revenues:

Emergency telephone service charges	\$ 142,779
State Emergency Communications Board - shared wireless charge	78,363
State Emergency Communications Board - operational funding	221,732
State Wireless Additional Fund	39,224
Miscellaneous income	5,379
Total Operating Revenues	<u><u>487,477</u></u>

Operating Expenses:

Salaries and wages	66,109
Employee benefits	21,015
Contracted services	85,144
Supplies and materials	10,735
Other charges	62,934
Depreciation	35,194
Total Operating Expenses	<u><u>281,131</u></u>

Operating Income (Loss)	<u><u>206,346</u></u>
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Nonoperating Revenues (Expenses)

Interest income	387
State Emergency Communications Board - grants & reimbursements	234,560
Gain (Loss) on Disposal of Assets	<u>(49,384)</u>
Net Nonoperating Revenues (Expenses)	<u><u>185,563</u></u>

Income Before Contributions and Transfers	391,909
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Transfers	<u><u>-</u></u>
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Change in Net Assets	391,909
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Total Net Assets at Beginning of Year	<u><u>1,622,708</u></u>
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Total Net Assets at End of Year	<u><u>\$ 2,014,617</u></u>
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See accompanying notes to the financial statements.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

Cash Flows from Operating Activities

Cash received from customers	\$ 487,479
Cash paid to suppliers	(158,816)
Cash paid to employees	(66,109)
Cash paid for employee benefits	(21,015)
Net Cash Provided by Operating Activities	<u><u>241,538</u></u>

Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(913,200)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u><u>(913,200)</u></u>

Cash Flows from Noncapital Financing Activities

Proceeds from GIS grant - State Emerg. Comm. Board	234,560
Net Cash Provided (Used) by Investing Activities	<u><u>234,560</u></u>

Cash Flows from Investing Activities

Cash received from interest income	387
Net Cash Provided (Used) by Investing Activities	<u><u>387</u></u>

Net Increase in Cash and Cash Equivalents

(436,715)

Cash and Cash Equivalents at Beginning of Year

756,250

Cash and Cash Equivalents at End of Year

\$ 319,535

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	\$ 206,346
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Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities

Depreciation expense	35,194
Increase (decrease) in accounts payable	(3)

Net Cash Provided (Used) by Operating Activities

\$ 241,536

See accompanying notes to the financial statements.

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Henry County Emergency Communications District is a nonprofit organization, established under Tennessee law. The District was organized in 1989 to provide Emergency 911 service to the residents of Henry County. Although the District is considered a municipality under its enabling legislation, it cannot levy or collect taxes and the charges for services shall not be considered or classified as taxes. A volunteer board of directors who are appointed by the District's primary government manages the District. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The District is a discretely presented component unit of Henry County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Henry County, Tennessee financial report. The District is considered a discretely presented component unit of Henry County as defined under the criteria set forth in Governmental Accounting Standards Board Statement No. 14, because the District would be unable to issue debt without going through Henry County, Tennessee.

Basis of Accounting and Financial Statement Presentation

The term "basis of accounting" is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and financial reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofits. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts to follow option one of GASB Statement No. 20. This option requires the District to follow only GASB guidance after November 30, 1989, and not follow any FASB guidance after that date.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable represent amounts due from various phone companies for emergency telephone surcharges and monthly reimbursable wireless fees.

Budgetary Policies

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared on a cash basis, which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Cash and Cash Equivalents

For purposes of the statement of net assets and the statement of cash flows, Henry County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government pool.

Capital Assets

The District defines capital assets as assets with an initial cost of more than \$200 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Net Assets

Equity is classified as net assets. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital asset activity during the year was as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Non-depreciable assets				
Land	\$ 108,710	\$ -	\$ -	\$ 108,710
Construction in progress	37,971	644,700	-	682,671
Total assets not being depreciated	146,681	644,700	-	791,381
Depreciable assets				
Buildings and improvements	\$ 52,812	\$ -	\$ -	\$ 52,812
Furniture and fixtures	63,716	-	12,182	51,534
Office Equipment	12,370	-	3,721	8,649
Communications Equipment	685,746	268,500	579,747	374,499
Vehicles	28,167	-	28,167	-
Total capital assets being depreciated	842,811	268,500	623,817	487,494
Less accumulated depreciation for:				
Buildings and improvements	451	1,354	-	1,805
Furniture and fixtures	33,247	5,328	11,928	26,647
Office Equipment	8,329	1,476	3,632	6,173
Communications Equipment	572,611	24,219	532,262	64,568
Vehicles	23,793	2,817	26,610	-
Total Accumulated Depreciation	638,431	35,194	574,432	99,193
Total Depreciable Assets, net	\$ 204,380	\$ 233,306	\$ 49,385	\$ 388,301

Income Taxes

Henry County Emergency Communications District is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS

The Utility has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for financial reporting of deposit risk.

Custodial Credit Risk – The Utility's policies limit investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Utility's agent in the Utility's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2012 and 2011, all bank deposits were fully collateralized or insured.

NOTE 3 – MAJOR REVENUE SOURCE

Revenue for operation and maintenance of the Henry County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. The major surcharge is collected by AT&T and remitted to the District monthly less a 1% administrative fee. The District also collects revenue generated by wireless phone users. The Tennessee Emergency Communications Board collects the revenue and distributes 25% of the funds to the Emergency Communications Districts based on the proportion of the population of each district to that of the state, according to the latest census.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered through commercial insurance. Workers' compensation is covered through the Tennessee Municipal League Risk Management Pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 5 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 20, 2013, the date which the financial statements were available to be issued.

-End of Notes-

OTHER SUPPLEMENTARY INFORMATION

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

Salaries and Wages	<u>\$ 66,109</u>
Employee Benefits	
Social security	5,009
Life insurance	54
Medical insurance	5,479
Retirement contributions	7,973
Medical Deductible	2,500
	<u>21,015</u>
Contracted Services	
Advertising	268
Audit services	3,000
Legal services	7,017
Fees paid to service providers	
Customer coverage	2,494
Line services	45,731
Maintenance agreements	9,724
Lease/rental - building and facilities	10,000
Pest Control	1,885
Maintenance and repairs	
Communications equipment	4,571
Building and facilities	148
Office equipment	225
Vehicles	81
	<u>85,144</u>
Supplies and Materials	
Office supplies	2,881
Custodial supplies	874
Postage	341
Electric	1,468
Gas	76
Telephone	3,895
Cell phones and pagers	1,200
	<u>10,735</u>
Other Charges	
Bank charges	85
Board meeting	264
Dues and memberships	443
Workers' compensation insurance	640
Liability insurance	1,301
Building and contents insurance	5,154
Vehicle fuel	1,341
Vehicle insurance	1,474
Premiums on surety bonds	883
Public education	333
Training expense	3,089
Travel expense	10,593
Contingency	37,334
	<u>62,934</u>
Depreciation	<u>35,194</u>
Total Operating Expenses	<u><u>\$ 281,131</u></u>

See independent auditors' report.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts - Cash Basis			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
Operating Revenues				
Emergency telephone service charges	\$ 147,960	\$ 147,960	\$ 142,779	\$ (5,181)
State Emergency Communications Board -				
Shared wireless charge	76,500	76,500	78,363	1,863
Operational funding	217,819	217,819	221,732	3,913
State Wireless Additional Funds	4,500	4,500	39,224	34,724
Miscellaneous income	120	120	5,379	5,259
Total Revenues	446,899	\$ 446,899	487,477	\$ 40,578
Operating Expenses				
Salaries and Wages	76,779	66,889	66,109	780
Employee Benefits				
Social security	4,656	5,156	5,009	147
Life insurance	54	54	54	-
Medical insurance	4,740	5,540	5,479	61
Retirement contributions	7,236	8,036	7,973	63
Medical deductible	2,500	2,500	2,500	-
	19,186	21,286	21,015	271
Contracted Services				
Advertising	600	280	268	12
Architects	-	3,650	-	3,650
Audit services	3,000	3,000	3,000	-
Legal services	5,000	7,100	7,017	83
Customer coverage	2,500	2,140	2,494	(354)
Line services	53,520	46,120	45,731	389
Maintenance agreements	11,580	9,780	9,724	56
Lease/rental - building and facilities	7,500	10,000	10,000	-
Pest Control	420	1,920	1,885	35
Repairs- land	-	20	-	20
Repairs-communications equipment	-	4,600	4,571	29
Repairs - buildings and facilities	1,200	160	148	12
Repairs-office equipment	420	240	225	15
Repairs-vehicles	1,260	100	81	19
	87,000	89,110	85,144	3,966
Supplies and Materials				
Office supplies	1,800	2,830	2,881	(51)
Custodial supplies	4,000	900	874	26
Postage	400	350	341	9
Electric	3,200	1,500	1,468	32
Gas	920	100	76	24
Telephone	4,200	3,910	3,895	15
Cell phones and pagers	1,200	1,200	1,200	-
	15,720	10,790	10,735	55

See independent auditors' report.

**HENRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts - Cash Basis</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Charges				
Bank charges	60	110	85	25
Board meeting	480	280	264	16
Dues and memberships	600	450	443	7
Workers compensation insurance	700	650	640	10
Liability insurance	6,000	1,400	1,301	99
Building and contents insurance	7,000	5,220	5,154	66
Vehicle fuel	1,800	1,350	1,341	9
Vehicle insurance	1,400	1,500	1,474	26
Premiums on surety bonds	1,100	900	883	17
Public education	6,000	350	333	17
Training expense	5,000	3,200	3,089	111
Travel expense	13,000	10,700	10,593	107
Contingency	4,800	37,800	37,334	466
	<u>47,940</u>	<u>63,910</u>	<u>62,934</u>	<u>976</u>
Total Operating Expenses	<u>246,625</u>	<u>251,985</u>	<u>245,937</u>	<u>6,048</u>
Operating Income (Loss)	<u>200,274</u>	<u>194,914</u>	<u>241,540</u>	<u>46,626</u>
Nonoperating Revenues (Expenses)				
Interest income	240	240	387	147
Contributions- other agencies	-	1,200	-	(1,200)
State Emergency Communications Board - grants and reimbursements	-	-	234,560	234,560
Gain (Loss) on disposal of assets	-	-	(49,384)	(49,384)
Total Nonoperating Revenues (Expenses)	<u>240</u>	<u>1,440</u>	<u>185,563</u>	<u>184,123</u>
Revenues in Excess of Expenses	<u>200,514</u>	<u>196,354</u>	<u>427,103</u>	<u>230,749</u>
Line Item Adjustments to Reconcile Cash Basis Actual Expenditures with Accrual Basis Financial Statements				
Depreciation expense			(35,194)	
Decrease in accounts payable				
Net Reconciliation Cash to Accrual			<u>(35,194)</u>	
Increase (Decrease) in Net Assets (Accrual)			<u>391,909</u>	
Net Assets, beginning of period			<u>1,622,708</u>	
Net Assets, end of period			<u>2,014,617</u>	

See independent auditors' report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members: American Institute of Certified Public Accountants | Tennessee Society of Certified Public Accountants
Governmental Audit Quality Center | Private Companies Practice Section
www.crsdpa.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Henry County Emergency Communications District
Paris, Tennessee

We have audited the financial statements of the Henry County Emergency Communications District, a component unit of Henry County, Tennessee, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The District's Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Henry County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Henry County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Henry County Emergency Communications District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the board of the Emergency Communications District of Henry County Tennessee and the State of Tennessee, Comptroller Office, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cowart Reese Sargent, CPAs
Martin, TN

November 20, 2013